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THE MODEL TO MEASURE THE MANAGEMENT PERFORMANCE OF SOCIAL
ENTERPRISES

– THE CASE OF *COZINHA COM ALMA* –

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ABSTRACT

Many social enterprises find difficult to measure and demonstrate their key performance indicators due to the lack of technical expertise or appropriate financial and human resources. Social enterprises have an additional difficulty by having to measure intangible indicators such as the social impact that their activity can generate. This Work Project clarifies the process that a social enterprise should approach to create a management performance tool using a balanced scorecard in order to inform how it creates impact. The model was applied to Cozinha Com Alma identifying the main indicators in order to be implemented by the organization.

Key Words: Social Enterprise, Performance Measurement, Balanced Scorecard

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INTRODUCTION

Cozinha com Alma (CcA) is a social enterprise that was launched in 2012 in Cascais, Portugal, with the objective to solve the social problem of emerging poverty in the middle class segment, often referred to as *Ashamed Poverty*¹. The economic crisis, which has settled in Portugal in the recent years, created significant inequalities which have more “extreme points” among the social classes in Portugal. As a result, several specialists believe that the middle class was the class that suffered more with the crisis, leading to its possible disappearance in Portugal². In fact, a research study conducted by DECO concluded that the real effort rate of debt in Portuguese households is around 70% on disposable income, while the recommended rate is only 35%³. According to DECO, the number of Portuguese families that request its support, to help them control their excessive amount of debt, has increased significantly since 2010 – almost 300% in 2015⁴. Being aware of this social issue, two friends decided to create CcA: a take-away restaurant open to the general public whereby profits are applied to subsidize price-reduced meals to a beneficiary target segment of the population that cannot afford them. This target has as common characteristic the temporary financial difficulties that does not allow the access to a complete meal per day. Thus, the social mission of CcA is achieved by enabling the access to a nutritive meal and providing its target customers with support to overcome their financial situation through a training program.

At the moment, the replication of CcA in other cities is a reality, CcA needs a greater control of its performance in order to allow the best possible actions to be taken. Additionally, it is necessary to understand how CcA can achieve the intended social impact, by finding the indicators that most contribute for it. Therefore, considering the needs and characteristics of

¹ Ashamed Poverty (Estanque, 2012) was used to define the middle class that suffer of poverty having shame taking into account their social class.

² In Jornal de Negócios, “Crise económica pode fazer desaparecer a classe média em Portugal” (accessed 27 Nov 2016).

³ In Deco Proteste, “Como travar o sobre-endividamento com a DECO” (accessed 28 Nov 2016)

⁴ In Deco Proteste, “Como travar o sobre-endividamento com a DECO” (accessed 28 Nov 2016)

this social enterprise, a Balanced Scorecard (BSC) model was developed in order to be implemented by CcA moving forward. Notwithstanding, since all the process of BSC will be described in this Work Project, it can be replicated for other social enterprises with similar activity of CcA.

LITERATURE REVIEW

Based on the objective of this Work Project - the development of a dashboard that will allow CcA to measure its performance -, there are contents to be considered from a theoretical perspective. Due to the nature of CcA's business, the literature review will start by clarifying the concept of *social enterprises* and its importance over the recent years in order to understand what kind of organization CcA is. Subsequently, a review of the *performance metrics* that can be applied to CcA will be carried out, aiming to have an overview of which indicators are the most important for this business and to assess how an efficient dashboard that meets the needs of CcA can be implemented.

Social enterprise

The concept of social enterprise has gained more popularity in our society, however it is not completely clear and widely accepted. The concept has become so wide that there are many social activities that can fit within this definition (Roger Martin & Sally Osberg, 2007). This happens due to different interpretations by different specialists when trying to make clear the term "social" (Carter & Jones-Evans, 2012). According to the European Commission, "*a social enterprise is an operator in the social economy whose main objective is to have a social impact rather than make a profit for their owners or shareholders*". The individual's benefits cannot be the main goal for these social entrepreneurs. In this sense, "*making a profit, creating wealth, or serving the desires of customers may be part of the model but these are means to a social end, and not the end in itself*." (Dees, 2001). The social enterprise's model is like a hybrid model that conciliates the social mission with the need to make profit (Lyon & Fernandez,

2012). These organizations must have profit in order to guarantee the sustainability of the company maintaining the creation of social impact (Yunus, Muhammad *et al*, 2010). Since its viability and sustainability depend on the income received from the prices charged for its product or services, a hybrid organization is like a commercial enterprise. Therefore, in most cases, a social enterprise should be seen from a commercial point of view with the main goal to solve a social problem (Ofer Eldar, 2016).

One for one model

The increase of social businesses has led to the appearance of the “buy-one give-one” (BOGO) model. TOMS Shoes is the most well-known company that successfully applies this model. (John Converse Townsend, 2014). Afterwards, several start-ups, in different markets, were launched with the same model. However, each type of business has its mission and consequently, its own method to donate the money. Some opt for “one for one model”, meaning that they donate the same or similar product for each product sold; others donate a percentage of their sales or profits for each one sold. There are still other companies that combine these two methods (Christopher Marquis & Andrew Park, 2014).

The marketing-cause related is a crucial feature of this BOGO model due to the direct connection between the company’s core business and donation of a specific product (Anne Hamby, 2016). Nevertheless, companies that undertake this model, in its core business, face several difficulties when it comes to keeping their sustainability over time. The three key factors to be a successful company are: financial sustainability, robust product and competitive price. Several companies fail in the first two factors, and consequently the price cannot be competitive compared to other competitors in the same market. (Nathan Rothstein, 2014)

Performance Metrics

Measuring the performance of a company is crucial in order to monitor the evolution of several management indicators and also to know the real situation of the company. In this way,

managers can identify the root of eventual problems as well as to assess whether or not the company is fulfilling the objectives initially proposed (Robert Behn, 2003). The management style and leadership patterns that companies adopt should take into consideration its own organizational context (Hillel Schmid, 2006). Nowadays, measuring the performance is still uncommon in social enterprises (Dees, 2001). This occurs because social enterprises see measurement as a waste of time and not as a useful and valuable tool to improve their business (Ross Millar & Kelly Hall, 2009). Nonetheless, the concept of measuring performance becomes more valuable when referring to a social enterprise. Besides the operational and financial measures, in a social enterprise it is necessary to evaluate the social impact of the company's activity. Due to financing needs, social enterprises should communicate their performance to external potential stakeholders in order to show the organizational and financial capacity as well as how the company is contributing to solve a social problem and if its action has been successful (Meadows & Pike, 2010). Presenting the social impact is not only important from an investment perspective, but it can also be helpful in increasing their sales working as a marketing strategy to the general public (Susan Bales & Franklin Gilliam, 2004).

Since a social enterprise has both financial and social goals, its performance measurement has to evaluate if these two objectives have been accomplished in a sustainable way. It is here that there is a difference between social enterprises and business for profit (Ross Millar & Kelly Hall, 2009). Therefore, performance methods were developed to evaluate these two objectives in order to increase the efficiency in the companies and communicate to potential investors (Andy Neely, 2002).

Currently, a Performance Management system can be implemented in one of two ways: through dashboard or through a BSC, which are not mutually exclusive. Both approaches allow the monitoring, analysis and management. Despite having different characteristics, they both evaluate the performance in different levels (Eckerson, 2006).

The Balance Scorecard

In the early 1990s, two researchers from Harvard Business School developed a performance measurement method considering the needs of a social enterprise – The Balance Scorecard. This method can be used for either for profit or non-profit organizations. However, non-profit organizations are the ones who benefit the most from this method since it values the tangible assets as well as intangible assets of a company (Bridget Hartnett & Ron Matan, 2011). The model evaluates the company in four perspectives: (i) financial, (ii) customer, (iii) business process and, (iv) learning and growth. In each perspective, objectives, measures, targets and initiatives have to be found.

These four perspectives are not unrelated since the measures established in the BSC track link to a chain of cause-effect relationships and thus articulates a company's goals and strategies to their employees. Therefore, this model shows the impact of an action of a particular achievement can have on the enterprise's mission. (Sim and Koh, 2001) In this way, organizations can use the BSC to transform their strategy, set measurable goals and designing a timetable for execution, increasing its efficiency (Robert & David, 1992). The BSC gives the organization some freedom to choose the indicators more relevant by adapting the performance measure method to the context of the organization (Michael Martello *et all*, 2008).

METHODOLOGY ANALYSIS

Considering the literature review, the objective of this Work Project is to design a performance management system model to a social enterprise adapted to the case of CcA. First, through several meetings with the CcA's deputy director, Marta Figueiredo, the need of CcA was identified: the construction of a dashboard to evaluate their key performance indicators ("KPI's"). Considering this and using the literature review, it was built a theoretical framework tool that best suited a social enterprise with an activity and social mission similar to CcA's. In

this theoretical framework, two main concepts were adopted: Basic Linear Model and Balanced Scorecard.

Subsequently, the above mentioned concepts were applied to CcA, resulting in the design of a BSC model with some indicators that can help the same social enterprise to analyse its activity. Also, as requested by Marta Figueiredo, it was built a dashboard⁵ that allows to estimate how many food stamps they can attribute to low income families in the following quarter based on the previous one. In order to build this dashboard, information was requested to CcA in order to understand what type of electronic data is available and what kind of processes have already been implemented. Due to the lack of information in electronic format, it was necessary to build some tools in order to control a certain amount of relevant information of its activity, such as the purchases performed or the donations received.

Finally, some recommendations were presented regarding the current situation of CcA as well as some information/controls that the latter should start to work on.

COZINHA COM ALMA – BRIEF OVERVIEW OF THE ORGANIZATION

In this section, we will make a brief overview of CcA's business model as well as an evaluation of its current situation. Therefore, the Business Model Canvas⁶ was adapted for social enterprises, adding a social perspective in each section of the model.

Current economic situation: Before approaching the business model of CcA, it is important to explain the current situation in Portugal in order to better understand what has led to the need of this type of business.

As mentioned, the cases of *Ashamed Poverty* have been increasing in Portugal. This derives from the excessive debt that several families incurred and that were not able to repay for disposable income. Considering that the debt renegotiation process is difficult, several families are unable to cover the expenditure on basic needs, such as food.

⁵ See Appendix 1.1: CcA's request to build the dashboard

⁶ See Appendix 2.1: CcA's Business Model– CANVAS Framework (Adapted)

Launching of CcA: Taking into consideration the current situation and the social problem identified, two friends, Cristina de Botton and Joana Castella, decided to launch the CcA in February of 2012. Although there is no legislation⁷ in Portugal that defines these type of companies, CcA fits the concept of social enterprise.

CcA is a take-away food business with an only store in Cascais, which sells to anyone who wants to purchase their meal – “*the take-away for everybody*”⁸. A typical take away restaurant could adopt its business model, if it did not have a social mission associated to the commercial side. CcA believes that their business model can be a response to the social problem identified above: hunger. Therefore, it has developed a social program for families that have been going through this *Ashamed Poverty* situation temporarily.

Social Program: In the first phase, the beneficiary families which receive food stamps are selected through a process conducted by the Social Committee of Parish Council⁹. Then, after the screening of the potential beneficiaries, CcA classifies the families in three different categories according to their income per capita¹⁰. These different categories will dictate the amount of the discount (70%, 80% or 90%) that the families will have when they purchase meals in CcA’s store. The selected families can purchase up to one meal a day per individual with their respective discount.

Under this social program, the families are also subjected to a monitoring and training program in order to empower themselves to overcome their financial situation. Currently, these training programs are free of charge and provided by individual instructors or entities, such that Mypeople or ASFAC¹¹, having as main focus the financial control and the management of credits. The program lasts for six months, with families being selected in each quarter,

⁷ According to the Decree Law no. 119/83 of 25 February, the legal name for this type of organizations in Portugal is *Instituição Particular de Solidariedade Social* (IPSS).

⁸ CcA’s slogan, cited in the Institutional Presentation of CcA (provided by Marta Figueiredo)

⁹ See Appendix 2.2: The CcA’s Selection Process

¹⁰ See Appendix 2.3: Classification of categories according to income per capita

¹¹ “Associação de Instituições de Crédito Especializado” - Association of Specialized Credit Institutions

depending on CcA's capacity. In specific situations, the program can be extended for an additional six-month period depending on a new assessment performed on these families.

CcA's strategy - Focus on the client: CcA has two types of clients: the general public and the beneficiaries. Although the beneficiaries were the main reason for the launch of this social business, the strategy of CcA is to be the first choice of its general public clients for two reasons. On the one hand, the revenues from this type of client will be used to assure meals for the beneficiaries – viability of the social program –, and on the other hand it means quality of the products and service, and consequently, credibility in the take-away restaurant sector. Taking into consideration its strategy, CcA has a varied menu, which allows customers to choose different dishes depending on the daily menu. This menu also includes meals prepared by guest chefs. Regarding the marketing/communication strategy, it is also customer oriented, from the welcoming environment of the store to the personalized packaging with the CcA's logo. Additionally, CcA created a pre-charged card that does not allow the different clients to be distinguished while also guaranteeing the beneficiaries' anonymity. The beneficiaries have a plafond¹² in this card according to their category.

The Financing Model: In order to accomplish its social mission, the model of CcA is based on a Cross-Subsidization financial mechanism (one for one model, or Robin Hood Model¹³). In practical terms, it means that the revenues from the meals that are sold to the general public will finance the reduced-price meals to the beneficiaries that otherwise could not access them in normal market conditions. Therefore, its business model is based on the “one for one model”¹⁴ - for each meal sold, CcA finances a part of a meal to a beneficiary. The organization creates a reasonable ratio between the revenues from the sales to the general public and the total

¹² This plafond is computed according to the household size and the category of the family. Example: a family of 3 persons, that belongs to category 2, has a maximum plafond of 81€=3x1€x 27 (Sundays are not included)

¹³ **Cross-Subsidization** - often referred to as “Robin Hood” model - is a funding mechanism that consists in charging higher prices to one group of consumers (the “rich”) in order to subsidize the lower prices for another group (the “poor”).

¹⁴ **One for one model** consists in donating the same or similar product for each one sold (Christopher Marquis & Andrew Park, 2014).

operational costs (meals' production costs and the cost of selling meals to beneficiaries below its production costs) that the organization needs to cover. However, in order to optimize its financing model and its cost savings, CcA has a large volunteers' network— around 88 people, which allows CcA to save significantly when it comes to staff costs. Moreover, CcA established several partnerships with suppliers that provide specific raw materials and services at a reduced or free cost. Also, it has a partnership with Cascais' City Hall, which conceded the store and kitchen's facilities without charging rent and with Parish Councils of Estoril and Cascais that pay the rent of the kitchen, in a school, in exchange of fifty daily meals to the kids.

Thus, the cost structure is crucial for the sustainability of CcA's business model, since it allows CcA to sell its products to the general public at competitive prices and to subsidize the reduced-price meals to the beneficiaries. Note that, despite these cost savings allowing CcA to sell to the general public at a significant lower price than its direct competitors with similar quality, it is not the strategic intent of CcA. The dependence on the cost advantages from its social supplier's partnerships and the need to position itself as a takeaway that strives for quality are the reasons behind CcA's decision to not reduce their prices.

CcA's industry: Similarly to profit organizations, analyzing¹⁵ can prove to be relevant to understand the industry in which CcA is included. The main goal of this model, adapted for social enterprises, is to analyze the impact of this social business industry and whether or not this impact is sustainable in the long-run. Therefore, besides the traditional forces, we also considered the following five forces: *Empowerment of beneficiaries*, *Empowerment of suppliers*, *Potential entrants*, *Potential substitutes* and *Cooperation between organizations*. Regarding the traditional forces in a commercial perspective, the supplier's power as well as the buyer's power are the forces with more relevance in this business. Taking into account that

¹⁵ See Appendix 2.4: Porter's 5 Forces model for social business (adapted to CcA)

several operational costs are supported by other entities and not by CcA itself, the suppliers have a higher bargaining power.

In this market, competition is intensive and buyers are very price-sensitive, hence the reason why clients have a high bargaining power. If the evaluation of Porter's five forces takes on a social perspective, the lack of cooperation between social organizations with the same mission and the risk of failing on the empowerment of the beneficiaries are the most relevant forces.

COZINHA COM ALMA – PERFORMANCE DASHBOARD

As mentioned before, CcA was born from an idea between two friends with no management academic background and with the purpose to solve a social problem.

Although CcA has had a positive growth in a financial and commercial perspective over the last years¹⁶, there are still a lot of work to be done regarding management tools that can be implemented in order to maximize the profitability and the social impact intended.

In a phase where the scaling-up of CcA has become a reality and, consequently, the risk of failure must be considered, there is the need to create performance measures of KPI in order to drive future financial values. Considering that the business model of CcA fits the definition of a social enterprise, its financial indicators are the basis to create social impact. In practice, this means that CcA can only attribute more food stamps and reach more families, if it is able to increase this net profit.

Since this year, with the hiring of a professional manager, Marta Figueiredo, CcA started to create some tools in order to measure the growth of several indicators, such as the monthly sales report¹⁷ and a weekly control of the meals produced by CcA¹⁸. However, these indicators only allow to assess the evolution of sales and not the analysis of the profitability and efficiency of CcA's activity nor the cause-effect of the financial indicators.

¹⁶ See Appendix 3.1: Evolution of Revenues per month, in Euros [2012 -2013]; See Appendix 3.2: Evolution of Revenues per month, in Euros [2015 -2016]

¹⁷ See Appendix 3.2: Evolution of Revenues per month, in Euros [2015 -2016]

¹⁸ See Appendix 3.3: Weekly control of the meals produced Map [12 to 17th September of 2017]

In this sense, a dynamic management performance tool should be implemented in CcA for the following reasons: (i) identification of the variables that contribute the most to improve the financial indicators and, consequently, the social impact. Only in this way, CcA will be able to determine what are the key factors in its activity that allow itself to reach more people in need of assistance; (ii) more important than the identification of these key factors is to analyze how they can affect the performance of CcA and its cause-effect relation over the entire activity of CcA; (iii) a performance tool that can help CcA translate its missions and goals into strategies, objectives, and coherently linked measures; (iv) the tool allows the organization to have explanatory values (numbers) regarding its social mission to present them to potential investors as well as use them as a marketing strategy with the goal of capturing more clients; (v) align all activities and efforts of each individual and department towards achieving the company's overall goals. It clarifies each employee's roles and responsibilities to facilitate further accountability and traceability; (vi) considering that the attribution of food stamps is made on a quarterly basis, CcA has a challenge at the end of each quarter: "How many food stamps CcA will attribute in next quarter?" and, "What is the distribution of food stamps across the different categories?". The proposed tool will help the management team answering these questions; (vii) considering that the sustainability is an important factor for a social enterprise, the tool can evaluate if the business model of the organization is able to be maintained for several years based on mostly resources.

Therefore, conciliating the concept of the BSC model and its characteristics described in literature review and CcA's need identified for a performance tool, this model is the most adequate one to adopt in the organization.

CONCEPTUAL MODEL – BSC TO SOCIAL ENTERPRISES

Considering that the BSC model does not only focus in financial indicators, the model can be adopted by various types of organizations, such as profit and non-profit organizations as well

as social enterprises. However, the model has to take into consideration each type of organization due to differences in their processes.

Basic Logic Model

Therefore, considering that a social enterprise has a social mission, it is important to design the activity's process to be aware of how they can reach the social objectives. In order to gain this understanding, the Basic Logic Model ("BLM") is a tool that can achieve this purpose. This tool, developed Carol Weiss and Joseph Wholey, provides an overall description of the intended program process and helps organisations to understand how financial and non-financial resources can be used to achieve the intended objectives. The BLM divided the process into five stages¹⁹: (i) **inputs** that include the financial, human and organizational resources; (ii) **activities** that consist in actions that are part of the program and make use of the existing resources; (iii) **outputs** are the direct products obtained from the activity; (iv) **outcomes** that are the shifts in the behaviour, knowledge, skills, among others of the program participants, and; (v) **impacts** that consist on the desired change - at a macro-level - regarding the social problem intended to be solved as a result of the program activities. In each stage, it is necessary to define the metrics and objectives to analyse its behaviour of in the process' structure. These objectives should be **specific** (target a precise area for improvement), **measurable** (quantify or at least suggest an indicator of progress), **assignable** (specify who will do it), **realistic** (state what results can realistically be achieved, given available resources) and **time-related** (specify when the result(s) can be achieved) following the S.M.A.R.T criteria (Doran, 1981).

This model has a first phase that highlights the performance relevant data (inputs, activities and outputs) and a second phase that consists in the transformation of data (outcomes, impact). It can be applied to different types of organizations; however, each process' stage has different characteristics depending on the organization. Unlike profit oriented organizations, in social

¹⁹ See Appendix 4.1: Five Phases of Basic Logic Model

enterprises the creation of social value is emphasized at all stages of their BLM²⁰. For instance, in what concerns inputs, target clients can be considered as labour force, in case of the program's beneficiaries have to be integrated in the activity of the company in order to achieve the outcomes intended for this people. Usually, this approach is related to programs that involve the mastering of some kind of new skill.

However, it is in the transformation phase, the difference between social enterprises and for-profit organization becomes more significant. The outcomes and impact achieved in a social enterprise are the main reason for its own existence. Firstly, by empowering changes on individuals and, subsequently, in the long-run, by creating an impact in society through its activity. In contrast, in for-profit organizations, the output is the most important stage of this model considering that they are driven only by financial objectives.

Balanced Scorecard

After designing the BLM, it is easier to define the BSC model. The main objectives and metrics are established and the next prime challenge is to explain the outcomes and impact through cause-and-effect relationships of the objectives designed.

For this purpose, the BSC allows organizations to evaluate the objectives in four perspectives: financial, customer, internal processes and learning and growth. Therefore, organizations can also analyse its performance through the non-financial indicators not focusing only in financial measures.

The perspectives are built as a chain, since there is a sequencing among them. For instance, the results obtained in learning and growth will affect the performance of an objective of internal processes perspectives. This cause-and-effect relationships will be determined over the entire chain until the organization obtains results in a financial perspective. Consequently, these results will affect the objectives outlined. This model has a top-down approach according to

²⁰ See Appendix 4.2: Basic Logic Model for Social Enterprise

which, firstly, it is defined the mission of the organization and only afterwards are determined the objectives for each perspective. In each perspective, leading and lagging indicators can be determined as measures to reach the objective. A lagging indicator represents the consequences of actions previously taken, while the leading indicator is considered as “drive” of lagging indicators.

Adaptability is one of the biggest strengths of BSC, as it is possible adopt this model for each type of organization since it takes into consideration the organization’s activity. The perspectives considered can be different from those originally established in the model or can have only few modifications in the concept of some perspectives.

Balanced Scorecard for Social Enterprises

Considering its adaptability strength, the authors of BSC created an amended model for social enterprises²¹ that consists in three main changes or adaptations: (i) an additional layer was added in which social goals are articulated above the financial perspective; (ii) the financial perspective was designed to focus on sustainability, and not on the profit maximization, and; (iii) the concept of customer perspective suffered some modifications in order to consider a larger number of stakeholders’ group. Additionally, in this Work Project it will be divided the social goals into social impact and outcomes in which social impact is articulated with outcomes and outcomes are articulated with the financial perspective.

Using the BLM, the social enterprise starts by stipulating the social impact and outcomes, and then moves into the perspectives, which are fulfilled by the objectives and measures founded in BLM. Subsequently, it is necessary to determine the target of the measures (reaching a specific %, for example) and initiatives that can be taken in order to reach the objective. These targets have to take into consideration the cause-effect relationship established between the objectives crossing several perspectives.

²¹ See **Appendix 4.3: Balanced Scorecard for Social Enterprise**

APPLYING THE CONCEPTUAL MODEL TO CCA

Considering the need to construct a BSC to measure the performance of CcA, this chapter intends to describe how CcA can build a BSC for its specific activity and social mission. Therefore, the objective of the Work Project is to design the BSC model for CcA for further application.

Basic Logic Model

Based on the conceptual model designed before, the first step is to build a custom BLM²² for CcA's, considering that its activity is in take-away restaurant sector and as well as the social mission that CcA intended to solve. Therefore, considering that its business model, in a basic and general perspective, depends on, namely, the human force in the input side and customers in the output side, the objectives and measures associated will focus, mostly, in staff's productivity and customer satisfaction including its purchases.

Inputs: At a first stage, five elements were identified to evaluate this performance: Staff, Fixed property, Equipment, Donations and Expenses. For each element, indicators subject to evaluation were established. Also, the sources where indicators can be tackled and its frequency analysis were determined. In the staff element, the indicators have the objective to evaluate the number of employees and volunteers as well as its turnover in the organization. Likewise, there are measures such as satisfaction level of volunteers and the number of training programs available to the staff. This input is the most important element, considering that CcA's activity has a huge dependence of staff and its productivity in order to improve the outputs and outcomes. Other important source in CcA is the donations that are part of revenues. In this topic, it is important to evaluate the dependence of the organization on this revenue source (%Donations/Revenues) as well as to evaluate the retention level of the donors. In the expenses side, it is important to analyse the average total cost to produce a meal and losses associated for

²² See Appendix 5.1: Basic Logic Model for CcA

each food stamp consumed. The equipment and fixed elements will focus, mostly, on its existence and capacity to produce.

Activity: In this stage, it was described how CcA can transform its inputs into outputs. Therefore, the number of hours that the store is open and the number of hours that the kitchen is working are important indicators to be evaluated. Also, in a social perspective, it can be evaluated the work made when identifying people in need of CcA's assistance. This can be analysed through the number of response to the assistance's request and the number of interviews performed to these people.

Outputs: Considering the direct results from CcA's activity, they can be divided into five fundamental criteria: Sales, Productivity, Return, Finance and Customer. The latter has indicators such as customer satisfaction measured through time-to-delivery and retention of customer measures through the number of cards sold to General Public and the number of distinct customers. Regarding Sales, the most relevant indicators refer to the quantity and value of sales per each type of client (general public and the three categories). The number of people that purchase in the store is another indicator that should be considered. The Finance element has to take into consideration the net income as well as the profit margin ratio. Regarding the net income, in order to evaluate the CcA's dependence on donations, it is important to compute it without considering donations. The productivity of staff (employees and volunteers) and its return are other indicators that should be considered in productivity and return elements, respectively.

Outcomes: At this stage, the BLM will focus more in social mission of the organization. Therefore, this Work Project will focus on the food stamps, the training and the mentoring program that resulted from CcA's activity. In what concerns food stamps, it is important to analyse the quantity of food stamps attributed and consumed as well as the number of families assisted. In turn, in the training and mentoring program, it will be evaluated the results of the training

sessions, i.e., reduction of over debt ratio of the families assisted, reduction of request to extend the assistance and families that request assistance again in a period of 2 years.

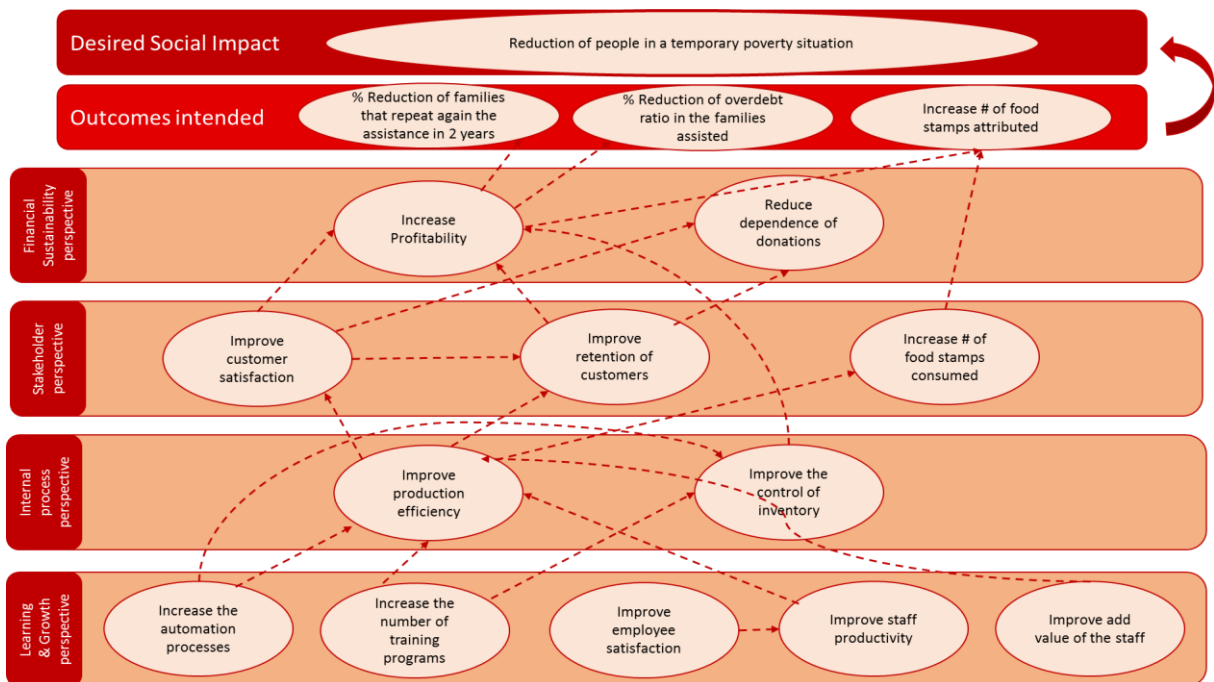
Impact: The role of CcA in society goes beyond the families that it provides assistance. After the social problem having been identified and the formula created to solve it, in the long-run it is important to verify the impact that CcA has after its existence. This impact does not need to be measured only by CcA's activity. Other social enterprises can adopt its formula, if it is considered successful and reach more families that need assistance. The awareness of this social problem by our society, including at a Governmental level, is a big step for the emergence of more initiatives with the objective to maximize the probability of a family exiting a poverty situation in the shortest amount of possible time. This indicator is only able to be measured through external sources and over a long period.

Balanced Scorecard

After the construction of BLM, the next step is to build a BSC for CcA. It was divided into four perspectives: Learning & Growth, Internal Processes, Stakeholder and Financial Sustainability. As the conceptual model presented before, in each perspective, objectives were defined to be accomplished by CcA. The objectives have lagging measures (and leading measures, when applicable), targets and associated initiatives²³. Regarding the targets, it is important to mention that they are defined based on the take-away restaurant market or CcA's track record. Therefore, taking into account the objectives and measures defined in each perspective, in the following figure (Figure 1) it was represented the existing relationships among the objectives established for CcA.

²³ See Appendix 5.2: Balanced Scorecard for CcA (objectives, measures, target and initiative)

Figure 1: Balanced Scorecard for CcA



As it observable, all of the objectives have impact in another, thus creating a relationship cause-effect among them. Notwithstanding the scheme having a top-down approach, the explanation of cause-effect relationship is as follows: the performance of objectives defined in Learning & Growth perspective will influence the performance of objectives defined in Internal Process perspective, and consequently, these latter objectives' performance will influence the performance of objectives in Stakeholder perspective, and so on. There are cases in which the performance of some objectives will influence the performance of other objectives in same perspective. Based on the metrics defined, this scheme will help CcA understands the cause of a less positive performance in some objectives and allow the taking of actions to solve the problem at its root. The objectives that have cause-effect relationship will present a positive causality. Notwithstanding, the targets should be updated every year in order to adequate in best way to the reality.

Starting to build a dashboard

In order to implement a BSC, it is important to create some tools that allow CcA to process the information in the best possible way and control important indicators for its activity. Following

a meeting with Marta Figueiredo, she has shown intention to build a dashboard that allows CcA to measure indicators related to its core mission: attribution of food stamps. Therefore, this dashboard²⁴ was built with the objective to calculate an estimate of how many food stamps can be attributed in the next quarter based on the performance of the previous quarter. Moreover, CcA also aims to know the ideal combination of categories for food stamps and how many six months periods of assistance it can address. Although this tool has the objective to project the actions to be adopted in the future related to food stamps, other data and indicators can be used for CcA with this dashboard, such as categorization of costs and revenues, knowledge of total production cost and the cost for quantity sold, registration of entry and exits of the staff (including volunteers) as well as their salary, amount of food stamps attributed and consumed; the combination of categories used, and finally, control and categorization of donations received.

As a starting point, the idea was to know what type of information was available in CcA. The trial balances from the accounting company are the information that will be used in order to compute the costs. Subsequently, and taking into account the limitation of information in these documents, CcA has available monthly reports with the amount of sales for all categories and general public and their respective value as well as the food stamps attributed in each quarter. In a second phase, in excel format, it is necessary to complete the inputs of the CcA's activity (registration of the entry and exit of staff, donations received, sales, food stamps attributed). With the help of trial balances from the accounting company, it was designed a sheet to compute the net profit with categorized information. In this sheet, there are two types of net profit: the net profit reported in accounting system (designated as "Cost CcA") and the net profit in which all type of donations received are considered as cost in order to analyse the dependence from the donations received (designated as "Cost real"). With this information, the tool also allow

²⁴ See Appendix 5.3: Index of Dashboard

CcA to know the losses for each type of food stamps²⁵. Based on these information, and applying a reserve rate to the net profit of the previous quarter, it was designed a final sheet with the information intended and requested by CcA. In this sheet, CcA can run several scenarios, changing the distribution of food stamps for the several categories and the type of net profit (Cost CcA or Cost Real) to calculate the maximum of additional meals to attribute in the next quarter. Additionally, for each scenario, CcA can also indicate the estimate of the growth of costs and revenues in order to perceive their impact in the attribution of food stamps. These tools will facilitate the centralization of the important data in a unique file allowing CcA having several information regarding this activity and social program in order to control. Furthermore, this information can be shown in a more user-friendly way to the potential stakeholders.

Testing the dashboard and describing the main findings

In order to test the dashboard, using the data available for CcA's activity in 2016, all control maps of the excel file was filled. Despite CcA not having data regarding the last quarter of 2016, it was estimated using growth rate based on homologous period of the previous year.

Before starting the analysis for a concrete quarter in order to compute the number of food stamps that CcA can attribute, it is important to observe some indicators regarding CcA's activity in 2016. (i) Cost Structure (Cost CcA vs Cost real): The cost structure is composed, mainly, by Staff Costs and Costs of Goods Sold (GGS) representing 43% and 42% of total sales, respectively. Comparing with a restaurant benchmark developed by Baker Tilly, these percentages are higher than those demonstrated in benchmark (35% for staff costs and 32% for CGS). Considering the staff costs, this difference becomes more noticeable if it was computed the volunteer work as a cost²⁶, ie, the "cost real" of staff for CcA, representing 65% of total

²⁵ In each category the losses were computed in the following way: (Average Cost/product – Average Price of each category/product)*Quantity of each category

²⁶ It was assumed that each volunteer is working 12 hours per month with a cost for CcA of 10€/hour

sales. Comparing the “cost CcA” and “cost real”, the volunteer work is the variable that most contributes for the difference between these two types of costs. It demonstrates that CcA has a high dependency level on volunteer work, and that it can arise doubts regarding the sustainability of its business. These doubts increase when analysing the net profit considering the “cost real”, in which the annual financial performance becomes negative (98k€ negative face the 82k€ positive using the “cost CcA”); (ii) Losses with food stamps: Analysing the losses with food stamps, it can be concluded that price-reduced meals practised to the beneficiaries in all categories represents losses for CcA. Therefore, the sales only from general public are the main driver to attribute more food stamps applying the one for one model. This means, in general terms, that if CcA sells more, it is possible to attribute more food stamps. According to the calculations of 2016, for each meal sold to general public, it is possible to attribute 6, 3 or 2 meals in third, second and first category, respectively; (iii) Food stamps attributed vs Food stamps consumed: Making an analysis between the plafond attributed and the amount of sales in each category, it is possible to verify if all food stamps attributed are being consumed by beneficiaries. In 2016, the consumption of plafond attributed did not exceed, in average, the 54%. The second category was the one with the highest rate of consumption (64%), while the third category presents the lowest rate of consumption (48%). (iv) Scenarios for food stamps attribution: Achieving the objective of the dashboard, it was tested in order to know how many food stamps CcA can attribute in second quarter of 2017. Therefore, considering the selection process of the beneficiaries, the scenario will related to the financial performance in last quarter of 2016. This financial performance will be take into account a reserve rate applied to the net profit realized, in order to compute an estimate in a conservative way.

Assuming the same distribution of food stamps for all categories, CcA can attribute food stamps to more 32 families than those which were attributed in the fourth quarter of 2016 reaching the 78 families. While, taking into account the growth trend of previous years, this estimate can be

more expressive if it is considered that there is a growth revenues expected of 50% and a growth costs expected of 20%. In this scenario, CcA could attribute food stamps to more 42 families. However, these calculations are based on net profit computed through “costs CcA”. Considering that the net profit based on “cost real” is significantly negative, if it was considered in calculation the dashboard will discourage the attribution of food stamps.

CONCLUSION

Aiming to develop a management performance tool to CcA and to overcome some difficulties regarding the measurement of indicators within social enterprises, this Work Project proposes both a conceptual and a practical model. The conceptual model was designed in two phases. Firstly, by using the BLM, it was described the activity's process from the identification of inputs to the social impact that CcA intends to achieve. Subsequently, the BSC in which the main objectives and metrics were established and the following prime challenge was to explain the outcomes and impact through cause-and-effect relationships of the objectives designed. In order to help the implementation of a BSC in CcA, and as requested by Marta Figueiredo, some tools (including a dynamic performance management tool and excel dashboard) were created allowing CcA to process the information in the best possible way and to control important indicators for its activity. Ultimately, this dashboard had the objective to calculate an estimate of how many food stamps can be attributed in the next quarter based on the performance of the previous quarter.

Based on the real test to the dashboard, it is important that CcA takes into consideration the following aspects regarding its activity: (i) to maintain, and improve, the effort to reduce the CGS. Comparing with 2015, in 2016 the CGS diminished for more quantities sold, however, its weight is still higher which indicates that there is margin for efficiency improvements. Therefore, there are measures that can be adopted such as a greater control of inventory creating an inventory register of whole product of CcA and a reduction of diversity of the CcA's menu,

benefitting from a discount of quantities from its purchases; (ii) to reduce the weight of staff costs of total sales. Considering that CcA's maximum production capacity is almost achieved (information provided by Marta Figueiredo) it is difficult to make the staff more productive. Therefore, considering the probability of scaling-up, CcA has the opportunity to adjust this indicator; (iii) to understand the main reason that have led the beneficiaries do not consume the totality of plafond and to take actions. The rates of plafond consumptions should be higher in order to improve the efficacy of social program. Currently, since the limit vacancies for beneficiaries, there are families that could not be covered by the social program. CcA is not helping families that really need rather families that are not using the totality of the food stamps. Therefore, it is necessary to identify the problem through interviews with the beneficiaries. Perhaps, the recruitment process of beneficiaries should be rethought to ensure a higher consumption of food stamps; (iv) to reduce the dependence on the donations, mainly, the dependence on volunteers. It is important to be sustainable in long-run. Regardless of its social mission, CcA should be able to generate positive cash flows without including donations. Philanthropic support and donations should be seen as a "plus" and not fundamental for CcA's activity.

Additionally, in future, in order to implement a BSC with success, it is important that CcA takes into consideration the following recommendations: (i) to use a single unit of measure to quantify the products sold (meals or products); (ii) to involve all staff in the definition of BSC and to explain the importance of this tool for CcA's operations; (iii) to redefine the targets of the indicators established adapting more to the CcA's reality; (iv) to communicate monthly the results of BSC to the staff.

Finally, it is important to refer that to enrich this conceptual model, more tests and applications should be run with other type of social enterprises with same activity or even different in order to make the model realistic, useful and adaptable.

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